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ABSTRACT

This guidebook was designed to orient minority entrepreneurs to the basics of international trade. Market research and strategy are examined, as well as finance, contract negotiations, trade logistics, and business communications. Part I acknowledges that small firms often lack the resources to take even the first step in developing the knowledge, skills, and capabilities needed to sell goods and services abroad, but notes the growing efforts of federal, state, and local agencies to assist entrepreneurs in exporting. Parts II and III discuss the role of minority and small business exporters, and list right and wrong reasons for entering the international marketplace. Part IV lists five steps to profitable exporting: (1) international market research, including a sample market analysis of computers and peripherals in an imaginary country; (2) international strategic planning and marketing implementation, including examples of successful strategies and a list of the factors influencing export production; (3) international trade finance and contract negotiations, including information on exchange rates, factors affecting prices, sample costing sheets, the identification of reliable partners in export finance, and international sales contracts; (4) international trade logistics and tax incentives, including guidance on freight forwarders and documentation, minimizing risk for exporters and commercial banks, and optional tax incentives for exporters; and (5) international business communications, including advice on understanding cultural differences, building mutual respect, and written and oral communications. Section VI offers guidelines for developing an international business plan. A glossary of terms and a brief bibliography are attached. (AYC)

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EXPORT NOW:

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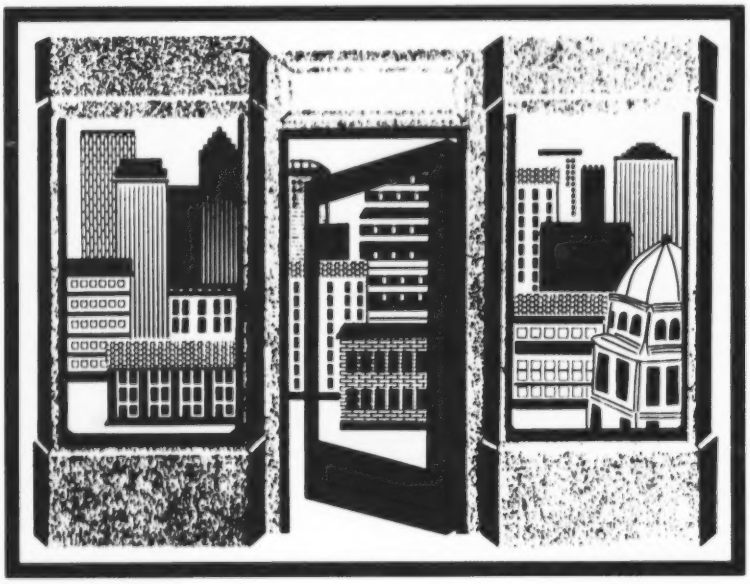

Minority Business Enterprise Project

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Minority Business Development Agency

AACJC
American Association of Community and Junior Colleges

DEPARTMENT OF COMMERCE • UNITED STATES OF AMERICA

JC 890 511

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Minority Business Enterprise Project
Grant No. 98-20-83034-01

Export Now: A Practical Guide for U.S. Minority and Small Business Owners

Edited by: Enid B. Jones
Associate Editor: Drew Evans

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CONTENTS

PREFACE i

I. INTRODUCTION 1

II. THE ROLE OF U.S. MINORITY AND SMALL BUSINESS EXPORTERS: 3

III. RIGHT AND WRONG REASONS FOR ENTERING THE INTERNATIONAL MARKETPLACE 5

IV. FIVE STEPS TO PROFITABLE EXPORTING 7

STEP ONE: INTERNATIONAL MARKET RESEARCH 7
STEP TWO: INTERNATIONAL STRATEGIC PLANNING AND MARKETING IMPLEMENTATION 12
STEP THREE: INTERNATIONAL TRADE FINANCE AND CONTRACT NEGOTIATIONS 15
STEP FOUR: INTERNATIONAL TRADE LOGISTICS AND TAX INCENTIVES 25
STEP FIVE: INTERNATIONAL BUSINESS COMMUNICATIONS 26

VI. SPECIAL SECTION: DEVELOPING AN INTERNATIONAL BUSINESS PLAN 29

VII. CONCLUSION 35

GLOSSARY OF COMMON INTERNATIONAL BUSINESS TERMS 37

BIBLIOGRAPHY 49

PREFACE

The American Association of Community and Junior Colleges takes pride in the accomplishments of its Minority Business Enterprise Project, now in its seventh year of providing education, training, and assistance to minority entrepreneurs and established minority managers and business owners through the nation's community, technical and junior colleges. The Minority Business Enterprise Project, generously supported by the Minority Business Development Agency of the U.S. Department of Commerce, is a critical component in AACJC's national strategy to enhance the participation and performance of minorities in this country's economic sector. It is a far-reaching initiative that accomplishes its purpose by establishing substantive long-term partnerships between education, government, and industry, with leadership from America's community, technical, and junior colleges.

This comprehensive guide has been designed to thoroughly orient minority entrepreneurs with the basics of international trade. Acknowledging that the move from domestic to international business is indeed a large one, the guide discusses both the right and the wrong reasons for doing so. Market research and strategy are examined, as well as finance, contract negotiations, trade logistics and business communications, all from an international perspective. This is rounded out by both a special section on how to develop an international business plan and a complete glossary of terms commonly used in the course of international business dealings.

In these times of economic change, it is more vital than ever that American minority entrepreneurs develop their role in the international trade process. This guide could not have come at a better time.

James F. Gollattscheck

Executive Vice President
American Association of
Community and Junior Colleges

I.

INTRODUCTION

The need to "EXPORT NOW" is clear. Since 1970, U.S. imports have exceeded exports in every year except 1973 and 1975. In 1987, the U.S. imported $424 billion and exported $253 billion worth of goods and services, resulting in a two-way trade total of $677 billion and a total trade deficit of $171 billion.

Large multi-national corporations have the resources needed to train existing staff, employ new personnel, or hire high-priced consultants who can analyze foreign market opportunities; assess the relevant strengths and weaknesses of the firm; modify goods and services to meet foreign requirements; develop comprehensive international marketing strategies; select optimal channels of distribution; identify requisite financing and sources of financing; integrate domestic and foreign operations; and facilitate match-making, etc.

In contrast, minority and small firms often lack the resources to take even the first step in developing knowledge, skills, and capabilities needed to sell goods and services abroad. Minority and small firms need assistance in all aspects of export development. This guide is designed to offer that fundamental information, and to suggest sources of further information.

There is universal agreement that international trade is a two-way street. Most U.S. minority and small business owners, however, would like to export their products and services to foreign markets before beginning to import. Federal, state, and local governmental agencies are, therefore, developing innovative programs to assist prospective entrepreneurs in their efforts to "EXPORT NOW."

This guide will present a brief but focused introduction to the core-functional areas of exporting and in the section entitled "Five Steps to Profitable Exporting," each area is described in sufficient detail to give the reader an idea of its necessity, its objectives, its processes, and the results one can expect from its application.

In government and private industry, few managers seem to have enough "know how" to rise above the aura of mystery that surrounds international trade. This guide is written for owners and managers of small and minority-owned businesses, with the hope that the system of export operations presented here will make it easier for them to carry on successful international trade ventures.

Through the guide's clear and straight-forward presentation, the readers will be able to increase his or her understanding and knowledge of the core-functional areas and characteristics of exporting gaining quickly and easily the skills needed to begin practicing these methods in actual international trade endeavors.

II.

THE ROLE OF U.S. MINORITY AND SMALL BUSINESS EXPORTERS:

When CEO's of five hundred small businessess were interviewed by Nation's Business in November 1988 about the U.S. economy, their responses showed a heartening confidence in the future. Seventy percent were "optimistic" or "somewhat optimistic" about the future, and 90 percent felt their own companies were in good to excellent financial condition. Sixty-five percent expected improved net operating results in the coming year.

This is good news for the U.S. international trade balance, as this positive attitude about the future is reflected in the growing number of minority and small businesses taking the plunge into exporting. From sophisticated computer systems to dolls, these entrepreneurs' products are bringing dollars home to the U.S.

The markets are there. For example, small U.S. business exporters with annual sales between $2 million and $400 million are largely responsible for the surge in U.S. exports to Europe. In Japan, creative small to mid-sized companies are betting that painstakingly developed marketing strategies will meet with success. Currently, more than 50,000 U.S. products are being sold in Japan such as sporting goods, leisure supplies, processed foods, pet food, and furniture.

Successful minority and other small businesses represent the future of our economy because they respond to problems that money alone cannot solve. What they lack in the capital, resources, and in-house expertise of large companies, they make up for with innovative and creative solutions, and it is this willingness to be flexible and roll with the punches--that companies need when doing business in the international marketplace.

Whatever your product or service, you too can find an international market. Minority and small businesses are entering the international scene with every conceivable product by finding special market segments for themselves--small and mid-sized niches--where they can survive without having to attempt the generally impossible task of competing directly with major manufacturers.

Researh shows a strong demand throughout the minority and small business communities for export development information designed to help them (1) develop the knowledge, skills and capabilities needed to export and (2) gain access to the international marketplace.

III.

RIGHT AND WRONG REASONS FOR ENTERING THE INTERNATIONAL MARKETPLACE

"I'm taking my business to the Caribbean!" beamed a young entrepreneur.

"Sounds great!" her companion remarked, "but you sell down parkas and comforters!

While the preceding is an exaggeration, it does suggest an important question: "What are the right reasons to enter into international trade?" Let's start with some wrong reasons:

- "I've always wanted a house on the beach . . . I can do business there and take a vacation at the same time."

  (Ask yourself: "Am I like the entrepreneur above? Am I trying to mix business with pleasure in a setting that isn't right for my business? Better to take your business to a strong market and make enough money to vacation where you want on the profits!)

- "It's tax-free! Just think of what we'll save!"

  (Ask yourself "Why does this country offer tax-free status? What are the problems here? How far will I be from urban centers and all that they provide? How much will all these factors wind up costing me in the end? If all you're after is a tax break, check out the U.S. possibilities first)

- "We have a couple of clients there . . . it must be a hot market!"

  (Ask yourself: Are those few clients just luck? Don't commit yourself without thorough market research.)

- "If we don't go our competitors will!"

  (Ask yourself: Have those competitors done thorough market research. Have they funding that you don't? Is it the right decision for <u>your</u> company?)

The above are reasons that do not reflect well thought out, cautious approaches to entering international trade. It's a big step for your business, and the risks (as well as the rewards) can be enormous.

So why should your consider entering the overseas market? There many good reasons.

- If your market research has identified a strong market somewhere, examine the possibilities.

- If products similar to yours are selling abroad, check and see how firmly your competitors are entrenched. Can you compete with them in the same market? How about finding a similar market to establish your own base in?

- If your products are popular with travelers from certain foreign countries, investigate the possibilities of exporting to those countries.

- If your product is vastly popular at home, ask yourself if it has universal appeal. Think of how many people throughout the world are wearing jeans and eating Big Macs in countries that had never heard of these things twenty years ago?

Whatever your reasons for deciding to go international, remember that it takes careful planning. Do your homework: examine the market, the buyers, the competitors, and the product, as well as your own resources. Get help. There are export trade managers, lawyers, bankers, freight forwarders, and government agencies with answers available to you. Methods for doing these things effectively are described in later sections of this guide.

The opportunities are endless, but it isn't easy. Minority and small business owners are participating successfully in international trade throughout the world, and with time, effort and commitment you can too. The two steps described in Section IV should be of help in starting a profitable exporting business.

IV.

FIVE STEPS TO PROFITABLE EXPORTING

Finding the information needed for effective planning and implementing a profitable exporting business are discussed in the following five sub-sections:

Step 1 International Market Research
Step 2 International Strategic Planning and Marketing
Step 3 International Trade Finance and Contract Negotiations
Step 4 International Trade Logistics and Tax Incentives
Step 5 International Business Communications

STEP ONE: INTERNATIONAL MARKET RESEARCH

A. Identify Market Research Specifications

The objective of international market research is to develop a precise set of guidelines to conduct the actual research. The purpose is to develop specifications for market implementation. Some of the tools required to conduct the search are time, clear statement of research purpose and objective, list of contracts, and a research model such as described in the following passage.

B. Analyze and Assess the Elements of the International Market Research Model

To research a market, whether for a single or multiple product or service, it is necessary to assess the commercial environment from the following four perspectives:

Product breakdown - or product-market analysis
Demand Side - or end user analysis
Supply side - or competitive analysis
Transaction side - or market access analysis

The research model below consists of these four parts and an executive summary.

- The Executive Summary
  Basic Market Characteristics
  Major Findings
  Conclusions
  Recommendations With Action Alternatives

- Product-Market Analysis
  - Statistical Breakdown of Market by Product Subgroup
  - Major Factors Behind the Breakdown
  - Timeframe of Data and Factors

- End-User Analysis
  - Statistical Breakdown of Market by User Groups (including demographic analysis)
  - Major Factors Behind the Breakdowns
  - Timeframe of Data and Factors

- Competitive Analysis
  - Statistical Breakdown of Market by Major Supplying Countries
  - Statistical Breakdown of Markets by Major Company Suppliers
  - Major Factors Behind the Breakdowns
  - Timeframe of Data and Factors

- Market Access Analysis
  - Trade Infrastructure
  - Legal Framework
  - Business Practices
  - Business Culture
  - Available Assistance to Supplier-Contracts
  - Impediments to Supplier
  - Timeframe of Data and Factors

What follows is a sample of a market research report. As you read it, check back to the model above. The sample is built around a fictional computer company in the Republic of "Imaginaryland."

REPORT AND MARKET RESEARCH ANALYSIS OF COMPUTERS AND PERIPHERALS IN THE REPUBLIC OF IMAGINARYLAND

EXECUTIVE SUMMARY

XYZ, Inc. has contemplated the possibility of marketing its goods and services abroad, but has been daunted by the question of risk of and uncertainty. International business requires the same level of commitment as domestic operations where time and money are concerned. Through strategic planning and organizational development, the given constraints of time, capital, equipment, supplies, office space overseas and limited staff can be addressed effectively. If XYZ, Inc. is to successfully and effectively enter the West African marketplace, then there must be an enthusiastic consensus for joint ventures. Objectively, a foreign partner would split start-up costs and divide any potential losses or profits, not to mention gaining quicker international credibility, smoother distribution and a better flow of information for XYZ, Inc.

As a result of XYZ, Inc.'s participation in the Imaginaryland EXPO '89 Trade Show, nearly fifty sales leads were generated. Therefore, it would be in the best interest of XYZ, Inc. to seek joint ventures or partnership agreements which could push XYZ, Inc. to a new frontier in technology and management.

The goals for XYZ, Inc.'s participation in EXPO '89 were to explore and identify 1) the market potential for its products and services, 2) acceptable business practices, and 3) total market demand in the Republic of Imaginaryland. These goals were addressed by occupying a booth at the exposition, engaging in interviews (public and private sector) and touring facilities.

During XYZ, Inc.'s recent trade mission, it found that the fastest growing subsector of the market is for micro-computers. Organizations in this area frequently alluded to the need for micro-computer networks that precisely meet their demands. Currently, there is no domestic computer production facility, and the U.S. and France are the major suppliers of information equipment in the Republic of Imaginaryland.

As the Republic of Imaginaryland's Vice President explained in Washington last week, "Many countries in our region of the world suffer from a shortage of highly trained personnel. There just aren't many people with much experience in running companies. The computerized management services of XYZ, Inc. can address these management needs. Therefore, XYZ, Inc. will not have to face a lack of demand for its products and services.

RESULTS

Product Market Analysis: There are many suppliers of hardware and software equipment with no domestic capability to service equipment or computer operations. The total market is estimated at $100 million.

The average annual real rate of growth over the next three years is expected to 10-15%.

Imports exceed market demand because some equipment is re-exported to neighboring countries. The United States holds a narrow lead over its closest competitor in the computer market (26.6% versus 26.3%).

End-User Analysis: Automation is seen as an effective cost savings measure. The public sector has played a key role in the computerization of the Republic of Imaginaryland. The current demand is shifting from data processing needs toward desktop publishing as the next step in the automation of offices in both public and private sectors. The government is fostering a plan to begin assembling computers in the Republic of Imaginaryland.

Competitive Analysis: There is currently no domestic production. However, Imaginaryland's Ministry of Information projected domestic production to start within two years as a first step toward establishing a computer industry (microcomputers) in The Republic of Imaginaryland.

Marketers of top-of-the-line computer systems believe their ability to tailor systems to customer needs, and to promptly service their hardware, compensates for higher prices. Consumers buy computers from overseas suppliers in spite of high import and value added taxes because of their desire for quick, reliable service.

Market Access Analysis: Computers and peripheral equipment are subject to a number of duties and taxes, adding up to nearly 62% of the value.

The availability of spare parts is of primary importance. Prompt delivery and after-sales servicing are also essential.

There are no structural or human barriers that would prohibit access to distribution channels.

Statistical Data:		
	11	Potential sales Representatives or Distributors Found
	1	Potential Joint Venture Partner Found
	38	New business Prospects Identified
	43	Product/Service (Testing) Market Research Confirmations
	18	Immediate Requests for Sales
	12	Potential Employment Found
	6	Other

RECOMMENDATIONS

In an effort to realize the stated goal: To generate overseas contracts through international trade, the following objectives are delineated:

Short-Term	o	Follow-up communications
	o	Establish permanent presence in Imaginaryland
	o	Foster continued friendly relations
	o	Maintain excellence in service
	o	Become a bona fide exporter
Long-Term	o	Establish credibility
	o	Offer flexibility in services
	o	Begin training (U.S. and host country)
	o	Begin manufacturing computer systems
	o	Increase exports
Rewards	o	Create greater profits

C. Identify Behavioral Objectives of Export Managers

The focus of this guide is to provide relevant information that may lead to successful international business ventures by minority and small businesses. To assist in the achievement of this goal, the following behavioral objectives should be considered:

- Engaging in international market research
- Gathering information concerning the product/service being considered
- Identifying appropriate agreements for distribution

STEP TWO: INTERNATIONAL STRATEGIC PLANNING AND MARKETING IMPLEMENTATION

A. Identify Sources For Strategic Planning

Finding the information needed for effective planning and implementation does not require you to "reinvent the wheel" at great cost to yourself. The sources listed below are the Washington, D.C. offices of federal government agencies offering export and foreign direct investment assistance. Check the federal government pages of your phone book as well for the district offices nearest you:

GOVERNMENT ASSISTANCE SOURCES

U.S. Department of Commerce
Int'l Trade Administration
14th and Constitution, N.W.
Washington, D.C. 20230

U.S. Department of Commerce
National Oceanographic and
Atmospheric Administration
National Marine Fisheries Service
Washington, D.C. 20235

Overseas Private
Investment Corporation
1615 M Street, N.W.
Washington, D.C. 20527

Office of the U.S. Trade
Representative
600 17th Street, N.W.
Washington, D.C. 20501

U.S. Department of Commerce
Minority Business Development Agency
14th and Constitution, N.W.
Washington, D.C. 20250

U.S. Department of Agriculture
Foreign Agriculture Service
Washington, D.C. 20250

Export-Import Bank of the United States
811 Vermont Avenue, N.W.
Washington, D.C. 20571

U.S. Trade & Development Program
U.S. Department of State
Room 301, SA-16
Washington, D.C. 20523

U.S. Small Business Administration
Office of Int'l Trade
1441 L Street, Rm 501-A
Washington, D.C. 20416

Agency for International Development
Washington, D.C. 20523

Examples of successful market implementation strategies developed by U.S. exporters (in these cases with the assistance of the U.S. Department of Commerce) follow:

- A Louisville, KY firm was assisted by the Louisville United States & Foreign Commercial Services District Office in coordinating its visit to the Economic Development Office in Singapore. During the visit, the firm followed up on possible uses of its products in the multimillion dollar Marina Square Project, currently under development in Singapore, and projected early sales at $100,000.

- A Huntsville, AL firm that manufactures sophisticated acoustical testing equipment reports two orders from India totalling $1.5 million. The firm's initial focus on the Indian market began in early 1984 with regular counseling from the United States and Foreign Commercial Service (US&FCS) Birmingham District Office and support from US&FCS posts in India.

- The US&FCS-certified Hanover Fair CeBit, a computer technology fair held in Hanover, West Germany, attracts a great number of U.S. exhibitors for U.S. pavilion. The fair's project manager for U.S. representatives credits the ever increasing number of U.S. participants to the "tremendous support" from the US&FCS.

- A small export management company specializing in machinery accessories and lighting and energy saving devices scored sales of almost

$100,000 during 1986, selling products in six different markets. The sales are all attributed to leads received from the Department of Commerce.

- The Arizona District Export Council Peer Committee (of the US department of Commerce)conducted a breakfast in Tucson to discuss exporting with presidents and CEO's of eight small and medium-sized manufacturing firms with little or no experience in international trade. The US&FCS district office received enthusiastic feedback from the participants in this program which has become an effective tool and stimulus to exporting.

- In March, 1987, Eximbank and Brazilian government officials signed the final loan contracts from a $52.6 million sale of U.S. sourced navigation aids and equipment to the Brazilian Ministry of Aeronautics. US&FCS Brazil was deeply involved in negotiations which lasted more than two years.

B. Identify the Factors of Export Production

Just as a carpenter or physician must have the correct tools in order to function effectively, the factors of export production are the "management tools" necessary to produce export transactions or gain "market access." these factors are:

Information - U.S. Department of Commerce; U.S. Small Business Administration; Export-Import Bank of the United States; U.S. Department of State, Agency for International Development; American Embassies; U.S. Chamber of Commerce

Influence - U.S. elected officials, opinion leaders, and industry experts.

Finance - Adequate working capital; traditional and non-tradition financing sources; and attractive payment schedules for foreign customers.

Technology - Product adaptation, quality control, and warranty.

Multi-national Marketing Management - management skills, international trade management training, and international business communication skills.

The material in this guide explains many of these factors, as well as giving you sources and suggestions for developing your understanding and skills in others.

C. How Do International Strategic Planning and Marketing Implementation Work?

The nuances of international business require more finely tuned human skills than does the domestic market. An understanding of the incentives of decision makers (customers, suppliers, creditors, agents) and the ability to be creative, can make the crucial difference in business transactions in the international marketplace. Marketing managers should bring mastery of the four "execution skills" to the job with them, i.e., (1) Interacting, (2) Allocating, (3) Monitoring, and (4) Organizing.

One way to illustrate the elements of an international marketing implementation model is shown in Exhibit IV. In that model, WHO, WHAT, WHEN, WHERE, and WHY are to the international marketing implementation model what PRODUCT, PRICE, PROMOTION, and PLACE are to the marketing mix scenario.

Many marketing managers are not sure if marketing plans can be implemented to the degree that corporate objectives are stated. Business owners are daunted because perfect marketing plans can appear to be of questionable value because of poor implementation skills.

STEP THREE: INTERNATIONAL TRADE FINANCE AND CONTRACT NEGOTIATIONS

A. Identify International Exchange Rates

In order to operate in the international market, each exporter should beomce familiar with the existing exchange rate in the relevant country. That is they need to become familiar with the number of units of one currency that exchanges for a unit of another (e.g. the U.S. Dollar). The value of the U.S. Dollar in relation to the currency of the country of trade will determine to a great extent the price placed on the exported good. Furthermore, exchange rates do not remain constant over time. In the short run, if one country's rate of economic growth is higher than the rest of the world, its currency is likely to appreciate. A change in a country's interest rates can also appreciate or depreciate its currency. In the long run, changes in relative price levels within a country can affect the exchange rate with other countries. For example, if the rate of inflation in the U.S. is higher than in Japan, then the U.S. dollar is likely to depreciate in relation to the Japanese yen. The actual monetary transaction and calculation of the exchange rate can be left to the banker. However, an awareness on the part of the exporter is necessary when setting the price for the product.

B. Identify the Factors That Affect Price Quotation

The question of how to price your products or services is not unique to international trade. If you have been in the domestic market you are used to facing this concern. It is not possible, however, to simply price your products and services once-that is, to assume that the domestic price will be appropriate for the international market as well. When pricing your products or services for the foreign market, you need to consider questions whose answers vary from those in the domestic market, such as foreign taxes, increased shipping charges, and export insurance.

If you are an old hand at pricing domestically, you know that the bottom line is : "How much do I need to charge to cover my costs and still make a profit?" and, "How much will the market pay for my products or services." Just as in domestic marketing, if the answer to the first question turns out to be higher than the answer to the second question, you need to reexamine your market research.

A quotation basically describes the product, states a price for the product at a specified delivery point, sets the time of shipment, and specifies the terms of payment.

The working papers that follow on the next three pages Forms 1, 2, 3 show you how to find the information needed to determine the international market price for your products. (For determining the price to charge for services, keep in mind the considerable travel that you will have to do in order to "sell yourself," as well as the effects the fluctuations in the value of the dollar will have on the cost of food and lodging abroad.)

FORM 1

EXPORT COSTING WORK SHEET
(for Preparing Export Quotations)

REFERENCE INFORMATION

1. Our Reference _____
2. Customer Reference _____

CUSTOMER INFORMATION

3. Name _____
4. Address _____
5. Cable Address _____
6. Telex No. _____

PRODUCT INFORMATION

7. Product _____
8. No. of units _____
9. Net weight _____
10. Gross weight _____
11. Dimensions ___x___x___
12. Cubic Measure _____ (square inches) (unit) _____ (square feet)
13. Total measure _____
14. Schedule B. No. _____

PRODUCT CHARGES

15. Price (or cost) per unit _____ x units _____ = Total _____
16. Profit (or mark-up) _____
17. Sales Commissions _____
18. FOB Factory _____

FEES-PACKING, MARKING, INLAND FREIGHT

19. Freight Forwarder _____
20. Financing costs _____
21. Other charges _____
22. Export packaging _____
23. Labeling/Marking _____
24. Inland freight to _____ _____
25. Other charges (identify) _____ _____
26. FOB, Port City (Export Packed) _____

PORT CHARGES/DOCUMENT

27. Unloading (Heavy Lift) _____
28. Terminal _____
29. Other (identify) _____ _____
30. Consular Document (check, if required) ____ _____
31. Certificate of Origin (check, if required) _____ _____
32. Export License (check, if required) _____ _____
33. FAS Vessel (or Airplane) _____

FREIGHT

34. Based on _____ weight _____ measure
35. Ocean _____ Air _____
36. On deck _____ Under deck _____
37. Rate _____ Minimum _____ Amount _____

INSURANCE

38. Coverage required _____
39. Basis _____ Rate _____ Amount _____
40. CIF, Port of Destination _____

FORM 2

YOUR COMPANY, INC.

EXPORT COSTING SHEET

DATE: July 20, 1987 #76-10

QUOTED TO: ABC Refrigeration
1500 Pembridge Crescent
London MK 46 4BN England

REFERENCE: # 225 Dated July 10, 199_

FROM PORT: New York

PRICE QUOTATION TERMS: C.I.F. Liverpool

SHIPPING LINE: White Star

PRODUCT DESCRIPTION: Our model 232

SCHEDULE B. No: 719.1502

NO. OF UNITS:	5	NET FOB FACTORY PRICE: $920	TOTAL PRICE:	$4,600
INLAND FREIGHT:			85	
* EXPORT PACKING & STENCILING			200	
FREIGHT FORWARDING			30	
CLEARANCE & HANDLING			10	
CONSULAR DOCUMENTATION } NOT REQUIRED				
CERTIFICATE OF ORIGIN				
PREPARING EXPORT DECLARATION			5	
PREPARING OCEAN BILL OF LADING			3	
MESSENGER SERVICE			5	
SHIPMENT PAPERS TO U.S. BANK FOR L/C			5	
TOTAL FORWARDING AND INLAND FREIGHT CHARGES				$343
*MARINE INSURANCE INCLUDING WAR RISK $67.50 PLUS 5% =			$71	
NET WEIGHT OF SHIPMENT		1,060 POUNDS		
GROSS WEIGHT OF SHIPMENT (units plus crating)		1,140, pound		
DIMENSIONS OF EACH CRATE:		31"X 30" X 40"		
EACH CRATE CUBIC FEET:				
37,200 CUBIC INCHES = 21.5=		22 CUBIC FT.		
TOTAL SHIPMENT CUBIC FEET:		110		
*OCEAN FREIGHT				
$1.50/CUBIC FT. = 1.50 X 110 = $165 + 5%=			$ 173	
				$ 587
TOTAL CIF PRICE LIVERPOOL				$ 5,187

* These items are approximate

FORM 3

YOUR COMPANY, INC.
111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

July 20, 197-

ABC Refrigeration Co., Ltd.
P.O. Box 25
1500 Pembridge Crescent
London, England

PRO-FORMA INVOICE

Your Reference: #225
Date: July 10, 199_

Five (5) Model 232 water-cooled ice cube makers @ $920 each	$ 4,600
Estimated inland freight, export packing, and forwarding fees	343
F.A.S. vessel -- New York, NY	$ 4, 943
Estimated ocean freight	$ 173
Estimated marine insurance	71
C.I.F. Liverpool	$ 5, 187

Export packed in 5 wood crates, 110 total cubic feet

Gross weight: 1140 lbs.

Net weight: 1060 lbs.

Payment terms: Irrevocable letter of credit confirmed by a U.S. bank.

Shipment can be made two (2) weeks after receipt of firm order.

COUNTRY OF ORIGIN: United States of America

We certify that this proforma invoice is true and correct.

Your Company, Inc.

C. Identify Reliable Partners in Export Finance

The objective of international trade is to assure that products (or services) and money exchange hands in a business transaction. Two effective partners who can work with you to effect this end are the Export-Import Bank of the United States, and your own commercial bank. (Your bank will assist you in finding a bank with an international division if it does not have one itself.)

The Export-Import Bank of the United States (Eximbank) is the government agency responsible for aiding the export of U.S. goods and services through a variety of loan, guarantee, and insurance programs. Eximbankk's financial programs generally are available to any U.S. export firm, regardless of size.

The following programs, however, are particularly helpful to small business exporters.

Export Credit Insurance By purchasing export credit insurance from the Foreign Credit Insurance Organization (FCIA), Eximbank's agent, an exporter may reduce the risk involved in international trade. Policies available include those for financing or operating leases, medium-term insurance, the new-to-export policy, insurance for the service industry, and multi- and single-buyer insurance.

Working Capital Guarantees The Working Capital Loan Guarantee Program assists small businesses in obtaining crucial working capital to fund their export activities. The program guarantees 90 percent of the principal and a limited amount of the interest on working capital loans extended by banks to eligible U.S. exporters.

Direct and Intermediary Loans Eximbank provides two types of loans: (1) direct loans to foreign buyers of U.S. exports, and (2) intermediary loans to fund responsible parties that extend loans to foreign buyers of U.S. capital and quasi-capital goods and related services. Both the local and guarantee programs cover up to 85 percent of the U.S. export value, with repayment terms of one year or more.

Guarantee Eximbank's guarantee provides repayment protection for private sector loans to creditworthy buyers of U.S. capital equipment and related services. The guarantee is available alone or may be combined with an intermediary loan. Most guarantees provide comprehensive coverage of both political and commercial risks, but political-risks-only coverage is also available.

Small Business Advisory Service To encourage small businesses to sell overseas, Eximbank maintains a special office to provide information on the availability and use of export credit insurance, guarantees, direct and intermediary loans to finance the sale of U.S. goods and services abroad. Its toll-free number is 1-800-424-5201.

Briefing Programs Eximbank offers briefing programs which are available to the small business community. The program includes help in group briefings and individual discussions, both within the bank and around the country. For scheduling information, call (212) 566-4490.

The factors relating to international trade which involve the actual transfer of money will be handled by your commercial international banker. In order to feel more confident when speaking to the banker, however, you should be familiar with the following international trade finance terms in the glossary at the end of this manual:

Cash Against Documents
Cash in Advance
Cash With Order
Confirmed Letter of Credit
Deferred Payment
Documents Against Acceptance
Irrevocable Letter of Credit
Letter of Credit
Trust Receipt

D. Identify Important Elements of Negotiating International Sales Contracts

The objective of international trade contract negotiations is to assure that the transfer of product for compensation transpires in an equitable (and enforceable) fashion. International trade is virtually always pursued for profit. Therefore, you must take every precaution to assure that the method of payment is sound and the contract points of agreement comprehensive. This is especially important for minority and small businesses, because such businesses are particularly unable to absorb financial losses due to oversight. Neglecting to specify, for example, who will assume responsibility for taxes, customs, and duties, overlooking mention of the fact that you are to be paid in U.S. currency, or failure to insist in advance on some guaranteed method of payment, may cost you significant portion of your profit.

What follows are brief summaries, prepared by the U.S. Small Business Administration, of significant factors to be considered in this regard.

Preparation of Proposals When dealing with foreign buyers it is important to remember that, in many cases, English is not their native language. Therefore, be concise, exact, and direct in the words you choose. Limit technical jargon and business idioms unless you include a glossary of terms used. The proposal is of ultimate importance in stating who you are and what you intend to do for the buyer, so be precise. Include a list of what you, the seller, will provide under a resulting contract, as well as the buyer's corresponding responsibilities.

Types of Contracts Generally, in international sales, fixed price contracts are used. In such a contract, the parties agree upon the price of the goods or services to be rendered at the time of entering into the contract, regardless of the costs the seller may incur in performing the contract. You must be familiar with certain well established designations for shipping terms in contracts generally used in foreign sales. Many times one of the following terms is used in lieu of a detailed set of terms and conditions:

F.O.B. (Free on Board) Factory: The seller's delivery obligation is to tender delivery to the buyer by notifying the buyer or a designated freight forwarder that the goods are packaged, packed, and ready for shipment at the seller's facility. Generally, the buyer has the burden for all costs and risks involved in transporting goods as soon as the buyer or freight forwarder takes control of the goods at the seller's facility. Thus, the seller avoids the risks involved in shipping and the uncertainty of fluctuating shipping charges.

F.O.B. Named Destination: The seller must at his or her risk (insurance) and cost (transportation) deliver the goods to the named destination, such as an airport, shipyard, or the buyer's facility. If the named designation is an airport or shipyard, the buyer is responsible for the goods until they are loaded on the vessel designated by the buyer to transport them. The seller is to bear the costs of all taxes and charges incurred until the identified F.O.B. destinational point is reached.

F.A.S. (Free Along Side) Named Destination: The seller is to pay for the costs and assumes all risks in transporting the contracted items to a position along side the vessel or plane the buyer has identified to transport the goods. The buyer is responsible from that point.

In both F.O.B. and F.A.S. transactions, the seller must provide the buyer with the required shipping documents (bills of lading, commercial invoices, export licenses, packing lists, and insurance certificates)

C.I.F. (Cost Insurance Freight) and C & F (Cost & Freight): The term C.I.F. means that the quoted price includes the price of the goods and the insurance and freight to the named destination. C & F indicates that the price includes the price of the goods and freight charges, without any costs for transit insurance coverage. The seller is responsible for the manufacture of goods, as well as for arranging for the shipment of goods. The seller must not only absorb the cost of transportation, but also must purchase insurance in the name of the buyer for the goods while they are in transit. The risk of loss for the goods passes to the buyer as soon as the goods are loaded on a vessel at the shipment point. The essential problem relating to C.I.F. contracts is not related to the potential liability for damaged or destroyed goods, but the problem in estimating accurate cost figures at the time of your proposal for freight and insurance charges. Also, there is the occasional difficulty in procuring reasonable priced insurance, especially if the area of the world you are to ship the goods to is experiencing civil disorders. You should consult and establish a relationship with a local agent of a reputable freight forwarder, exporting company or shipping line prior to issuing C.I.F. or C & F quotations.

Terms of Contract What follow are definitions of terms commonly used in international contracts. This guide does not present these with the suggestion that you draw up contracts on your own, but, rather, to enable you to more fully understand terms you my encounter during negotiations.

Payment: You need to establish with your foreign buyer a means to assure that the buyer does have the financial assets to pay for your goods. Some orderly arrangement should be outlined regarding the actions which must take place in order to entitle the seller to payment by the buyer. The confirmed Irrevocable Letter of Credit (ILOC) is the tool that will assist you in securing the financial security to minimize the risk of most international transactions.

Irrevocable Letter of Credit (ILOC): As a U.S. citizen, you should require in your proposed terms of sale that all payments be made in U.S. currency. Further, you should obligate the buyer to establish an ILOC, confirmed by a local U.S. bank, that will allow for payment based upon your presentation of certain specified

shipping documents. You should consult with an attorney or banker regarding ILOC's.

Standby Letters of Credit and Guarantees: A guarantee of performance asked for by the buyer in return for an ILOC. This can take the form of a letter of credit, bank letter or guarantee, or the withholding of a certain percentage of the contract price until the buyer is certain the delivered goods confirm with the contract.

Choice of Law: There is no universal set of laws regulating international trade and commerce. It is very important to specify in your contract the governing law to be applied in construing the obligations of the parties. You should be aware that there is an International Chamber of Commerce that has sought to achieve greater uniformity in international trade practices. "Incoterms" refer to International Chamber of Commerce terms that describe the various types of shipping arrangements and the definition of the buyer's and seller's responsibilities. You should be familiar with these terms, but remember that they are not binding everywhere in the world.

Arbitration: The "incoterms" contain a recommendation that all contracts for foreign trade include a provision calling for the settlement of all disputes under the Rules of Conciliation and Arbitration of the International Chamber of Commerce.

Inspection & Acceptance: It is best for the seller to limit, as much as possible and reasonable, the buyer's rights of inspection and acceptance after goods have been shipped from the seller's facility. This recognizes the very practical consideration of the high and uncertain costs involved in conducting extensive inspection and acceptance test procedures at any location other than the seller's facility. A certificate of conformance may be issued instead by the seller, stating that the delivered goods are in conformance with contract and specification requirements.

Taxes: Clearly state in your contract who will absorb the cost of all applicable taxes. Normally, the exporting seller is responsible for the payment of taxes, customs, and duties levied in his country; and the buyer/importer is similarly obligated to pay all governmentally imposed charges related to the contract.

Due to the complex nature of certain areas of international contract negotiation, you should not hesitate to develop reliable and competent sources of expert advice. The stakes are too high to give this aspect of international trade anything but the full attention it deserves.

STEP FOUR: INTERNATIONAL TRADE LOGISTICS AND TAX INCENTIVES

A. Understand the Importance of International Freight Forwarders and Documentation

International freights forwarders facilitate shipping details. They work as agents for the U.S. exporters and charge a nominal fee for their services, which could be, but are not limited to, preparing various documents such as: Commercial Invoice (proof or ownership), Bill of Lading (title of goods), insurance certificate (coverage of goods against loss or damage), Packing list (quantity and type of merchandise), Export Declaration (source for export trade statistics), Consular Invoices (monitor imports), and Certificate of Origin (Proof of Country where manufactured).

B. Minimize Risk for U.S. Exporters and Commercial Banks

The Foreign Credit Insurance Association (FCIA) is an unincorporated association of over fifty leading U.S. insurance companies. Insurance is available to cover credit risks in over 140 countries. FCIA is headquartered in New York, with regional offices in Washington, D.C., Atlanta, Chicago, Cleveland, Houston, Los Angeles, and Milwaukee. The advantages of FCIA insurance are significant for both the exporter and its commercial bank. The principal advantage is the reduction of political and commercial risk inherent in foreign receivables. The exporter avoids the risk of incurring catastrophic losses in the event of default on foreign payment.

Bankers find FCIA insurance advantageous when extending credit to foreign importers of U.S. products as well as to U.S. exporters themselves. Potential losses to the bank are reduced and its own profitability is enhanced.

C. Understand Optional Tax Incentive for U.S. Exporters

The two options for tax incentives for U.S. exporters are Domestic International Sales Corporation (DISC) and Foreign Sales Corporation (FSC). Both are vehicles to defer payment on taxes to a later date. Basically, the DISC is for organizations that have established offshore manufacturing or joint venture manufacturing facilities overseas. In short, DISC and FSC enhance an organization's ability to manage its cash flow more

effectively. It is strongly recommended that exporters consult with an accountant for further details.

STEP FIVE: INTERNATIONAL BUSINESS COMMUNICATIONS

A. Increase Awareness That American Assumptions and Values are Not Necessarily Universal or Superior

You probably have observed assumptions and values in people you have encountered in one region of the U.S. that are not acceptable to people in other regions of this country. Differences in vocabulary, figures of speech, and accent; consumption patterns; leisure activities; and career aspirations are good examples.

These differences among cultures can be magnified and often startling when you travel abroad. Sometimes the clashes are amusing, but other times they are serious breaches of behavior--thought innocently intended--which can jeopardize your business deals, your friendships, and sometimes even your safety. Shakespeare had a good point when he suggested, "When in Rome, do as the Romans do."

If you have not yet traveled abroad ask those who have to share observations about instances when customs and attitudes abroad clashed with those in North America. You might do some research on your own as well. For example, since minority and small business owners traditionally market consumer products and services, it might be interesting to compare ads for consumer products in U.S. and foreign magazines. Do the ads take the same approach to potential customers? Are the ads sexier? What cultural differences can you infer? Would you be surprised to see any of the foreign ads in a U.S. publication? Why?

B. Obtain Practical Advice On How To Handle International Business Communications

Knowing how to communicate overseas is a basic skill that requires information every exporter should acquire at the beginning of his or her international trade career. Your first contact with a potential customer or agent in a foreign country, for example, will probably be by letter, and letters will most likely remain one of your major means of communication. (Cable/telex and telephone communications also play an important role, of course.)

Business communication abroad is notiably different than in the United States. For this reason, take some time to learn what is generally expected in business communications in the specific country you are addressing. For example, in some

countries business letters are expected to begin with a paragraph inquiring about the well being of the recipient's family. In others, you are expected to begin with a reminder to the reader of your past encounters, and in still another country you should get down to business immediately with the reason for the letter stated in the first few lines.

In regard to spoken communication and personal encounters, do some research before you travel. Talk to business persons who has travelled to that country before. See if you can find a native in the United States to whom you can talk. Check your library and bookstores for books on the subject.

The simplest taken-for-granted words gestures, and body language of a polite American might be offensive to people of another culture, just as they might unwittingly offend you if you have not taken the time to understand their culture. These differences are sometimes subtle, sometimes blatant. Sometimes they'll seem reasonable, sometimes silly, but how they seem to you is irrelevant. If you want to dispel the ugly American image, and more importantly, if you want to do business abroad, it is fundamental that you learn the culture of the target country and how to conduct business appropriately within the context of that culture.

Finally, with the added burden of cross-cultural communications to consider, be sure that you have your thoughts in order before communicating. Just as in domestic business dealings, remember the following points:

- Know your needs; i.e., what is the primary purpose of the communication? What might an alternate goal be?

- Know your company. Learn all you can about your firm that will interest prospects and give them confidence.

- Know your market. You will probably want to establish some specifics about the sales patterns of your industry, as well as your product.

C. Build Mutual Respect Between You and Your Potential Customers and Agents

The more you can demonstrate respect toward your potential customers and agents, the more respect, cooperation, and success you will witness in your business venture. Mutual respect takes three forms:

1. **Language** Mastering a new language takes time and commitment. This option is most sensible if you plan to spend several years abroad or take frequent trips over an extended period of time. Often the most practical

alternative is an intermediary or translator. Even if the agent in the host country speaks English, however, you still must learn simple words and phrases to show respect and consideration for those you are visiting.

2. **Written Communication** Generally, written communication poses less of a problem than oral communication. Most correspondence between North American companies and foreign organizations is conducted in English. Some other forms of communication, however, require translation. These include warranties, advertisements, maintenance manuals, product labels, procedure manuals, and reports. As any American consumer knows who tried to set up an imported VCR or assemble something according to the "English" translation of the manual, important information is often lost in the translation process! Your translations are done by someone with complete mastery of both languages.

3. **Oral Communications** Speaking with someone from another culture is often a meaningful experience, because it requires an open mind on important concerns and issues of religion an values, roles and status, decision-making customs, concepts of time, concepts of personal space, body language, social behavior and manners. By being aware of the fact that oral communications and decisions based upon those communications are two sides of the same coin, you may improve your effectiveness as an international business communicator.

VI.

SPECIAL SECTION: DEVELOPING AN INTERNATIONAL BUSINESS PLAN

The businessperson who has successfully developed and implemented a business plan for domestic business has good preparation for the development and implementation of an international business plan. Successful international marketing programs are developed from the same market-driven principles that underlie domestic marketing success. Because of the complexities inherent in international business, significantly more preparation and market research are required in order to develop effective marketing strategies for a given international market.

The steps in developing an international business plan which are provided below are based on the assumption that the businessperson has already completed a business plan for the domestic business. The development of an international business plan utilizes the same skills and framework, and builds upon the capabilities and strategies which produced domestic success. The steps cover activities and decisions which must be a part of the international business plan. The questions in each category are provided to guide the analysis and decision-making on each topic. When all the information is gathered and the decisions are made, the international business plan is ready for implementation. The framework provided below was developed to discuss the export of tangible products. Service businesses interested in exporting will go through much of the same analysis.

THOROUGH ANALYSIS OF THE DOMESTIC BUSINESS.

- What is your current level of sales and profits? What is the trend?
- Is the market for your product growing or declining?
- What is your market share? Is it increasing or decreasing?
- Who are your competitors? Are they currently exporting?
- Is there a trend toward exporting in your industry?
- Are you satisfied with your domestic performance? Why or why not?
- Are you manufacturing near capacity?
- How do you distribute your products?

Assessment of export potential.

- Is your product exportable?
- Where is there demand for it?
- Why are you interested in exporting? Are these reasons valid and realistic?
- Do you have adequate capital or credit lines to support international business activities.
- Will you be able to produce enough product to meet demand?
- Who within the company will manage the export function? Does this person have sufficient time and interest? Does he/she have knowledge of international business?
- Do your professional service providers, such as your banker, accountant and attorney, have international business experience?
- Are you prepared to retain outside consultants?
- Are your energetic, flexible and resourceful?

Research potential target markets.

- Which markets have purchased products similar to yours in the past three years?
- Which of these markets are large and growing? What accounts for the growth?
- Describe the marketing environment in each market--the population, the infrastructure, the economic, political and legal systems, and the social, cultural and religious environments. What is the level of economic, political and cultural risk in each market?

- In your opinion, how similar, or different, are the markets to the U.S.? Are products similar to yours used in the same way as they are used in the U.S.?

- Are there any tariff or non-tariff barriers to the sale of your product in these markets?

Analyze a selected target market in depth.

- Choose one potential target market for further research.

- What is the structure of the market for your product?

- How much demand is there?

- How many competitors are there? What are their market shares?

- Is the market segmented?

- Are the competitors profitable? What are the trends in sales and profits?

- How are products distributed?

- Are there any other ways to distribute the product?

- What is the selling price for competitor's products?

- Are there any limitations on foreign exchange?

- Would you be willing to go to this market to participate in a trade show or trade mission?

Choose a method of exporting.

- How much of your time, personnel and other resources are you able to devote to your export strategy?

- Are you prepared to make necessary organizational changes to support direct export efforts?

- How much expertise is available to you?

- How much risk are you willing to assume?
- Describe the advantages of both methods of exporting for your business.

After choosing a method of entry, locate and evaluate potential representatives.

A. How to locate and evaluate Export Mangement Companies (EMCs) and Export Trading Companies (ETCs) in the U.S.

- Seek referrals and recommendations from others in your industry.
- Ask potential representatives for references and credentials.
- Visit the office and thoroughly investigate their capabilities.

B. How to locate and evaluate representatives and distributors in the foreign market.

- Seek referrals and recommendations from others in your industry.
- Seek referrals from the target country's American Chamber of Commerce, the U.S. Department of Commerce, and your industry's trade association.
- Check trade publications for advertised foreign distributors.
- Contact a pool of representatives for further research. Ask for references from current clients, information about their sales force, sales territory, and service facilities, and their plans for introducing your product to the market. Obtain credit reports. Be sure to provide representatives with sufficient information about your company and your products so that they can respond thoroughly.
- Visit potential representatives in their own country. Also meet with the trade officer at the U.S. Embassy, and a representative of the American Chamber of Commerce.

C. Select a representative.

- Develop a profile of your ideal EMC/ETC or a representative. Which of the prospects is best suited?

- Which of the prospects seems most capable of handling your product?
- Do any of these prospects also handle your competitors?
- Evaluate the terms of the agreements proposed by the prospects. Is there anything incompatible with your needs?
- How confident and comfortable did you feel with each of the prospects?

Negotiating an agreement with the U.S. or foreign representative.

The agreement with and EMC/ETC or a representative in the foreign market should be very carefully negotiated with the assistance of an attorney. In general, an agreement with a foreign representative requires greater care because you will be bound by foreign representative requires greater care because yo will be bound by foreign laws that apply to such agreements. Sample agreements from which to begin are available in reference books and from other sources.

The following steps will apply only to those businesses which decide to export directly.

Select an export pricing strategy and determine export price.

In order to calculate export price, consideration must be given to costs, competition and market demand, just as in domestic pricing. Each of these components should be viewed from an export perspective.

- What are your expectations in entering this international market?
- How much demand is there for similar products in the market?
- What are competitor's prices?
- If this is a consumer product, what is the per capita income?
- In determining your export price, which of your domestic costs should be included? Should costs that do not apply, such as U.S. advertising, be excluded?
- Could you simplify the product to reduce costs?

Preparing a pro forma invoice or a price quotation.

A pro forma invoice or price quotation sent to a foreign buyer should describe the product in more detail than would be necessary for a domestic sale. Full information about charges added to the cost, such as freight and insurance, should be provided. The pro forma invoice may be needed by the buyer to apply for an import license or to arrange for foreign currency. The exporter should work with a good freight forwarder to determine documentation requirements, the best method of shipping the goods, and the costs for freight and insurance to the designated delivery point. Prices should be quoted in U.S. dollars and the period for which that price is valid should be indicated.

Determine metiiod of payment for international sales.

There are several basic methods for obtaining payment for international sales. Before determining which method of payment to request, an exporter should consult with an international banker. The factors which will determine the optimal method of payment for a particular sale are related to the credit risk of the buyer, the level of risk in the target country and the need to extend favorable terms to the buyer in order to secure the sale. The most common method of payment is an irrevocable confirmed letter of credit. Because of the complexity of the payment process, as well as various export financing programs available, the exporter should develop a good working relationship with an international banker.

VII.

CONCLUSION

This guide has attemped to provide some insight into how to integrate your business activities into the international trade arena. Every day, minority and other small business owners just like you are joining the ranks of entrepreneurs who cross the oceans looking for new markets, new customers, and new products. It can be challenging, tedious, rewarding, frustrating, exciting, mind-broadening, enriching, surprising, disappointing and satisfying...sometimes all in one day! It is international trade, the marketplace of the future, and those who enter it today will be one step ahead.

GLOSSARY OF COMMON INTERNATIONAL BUSINESS TERMS

Source: U.S. Department of Commerce

What follows is a list of words commonly used in international trade which may or may not have appeared in the text of this manual.

ACCEPTANCE
This term has several related meanings: 1. A time draft (bill of exchange) which the drawee has accepted and is unconditionally obligated to pay at maturity. The draft must be presented first for acceptance-the drawee becomes the "acceptor"-then for payment. The word "accepted" and the date and place of payment, must be written on the face of the draft. 2. The drawee's act in receiving a draft and thus entering onto the obligation to pay its value at maturity. 3. (Broadly speaking) Any agreement to purchase goods under specified terms. An agreement to purchase goods at a stated price and under stated terms.

AD VALOREM
According to value. See **DUTY.**

ADVANCE AGAINST DOCUMENTS
A Loan made on the security of the documents covering shipment.

ADVISING BANK
A bank, operating in th exporter's country, that handles letters of credit for a foreign bank by notifying the exporter that the credit has been opened in his or her favor. The advising bank fully uniforms the exporter of the conditions of the letter of credit without necessarily bearing responsibility for payment.

ADVISORY CAPACITY
A term indicating that a shipper's agent or representative is not empowered to make definitive decisions or adjustments without approval of the group or individual represented. Compare **WITHOUT RESERVE.**

AGENT
See **FOREIGN SALES AGENT.**

AIR WAYBILL
A bill of lading that covers both domestic and international flights transporting goods to a specified destination. This is a non-negotiable instrument of air transport that serves as a receipt for the shipper, indicating that the carrier has accepted the goods listed and obligates itself to carry the cosignment to the airport of destination according to specified conditions. Compare **INLAND BILL OF LADING, OCEAN BILL OF LADING, and THROUGH BILL OF LADING.**

ALONGSIDE
A phrase referring to the side of a ship. Goods to be delivered "alongside" are to be placed on the dock or barge within reach of the transport ship's tackle so that they can be loaded aboard the ship.

ANTIDIVERSION CLAUSE
See **DESTINATION CONTROL STATEMENT.**

ARBITRAGE
The process of buying **FOREIGN EXCHANGE,** stocks, bonds, and other com- modities in one market and immediately selling them in another market at higher prices.

ASIAN DOLLARS
U.S. dollars deposited in Asia and the Pacific Basin. Compare **EURO-DOLLARS.**

BALANCE OF TRADE The difference between a country's total imports and exports; if the exports exceed imports, a favorable balance exists; if-not, a trade deficit is said to exist.

BARTER
Trade in which merchandise is exchanged directly for other merchandise without use of money. Barter is an important means of trade with countries using currency that is not readily convertible.

BENEFICIARY
The person in whose favor a **LETTER OF CREDIT** is issued or a **DRAFT** is drawn.

BILL OF EXCHANGE
See **DRAFT.**

BILL OF LADING
A document that establishes the terms of a con- tract between a shipper and a transportation company under which freight is to be moved between specified points for a specified charge. Usually prepared by the shipper on forms issued by the carrier, it services as a document of title, a contract of carriage, and a receipt of goods. Also see **AIR WAYBILL, INLAND BILL OF LADING, OCEAN BILL OF LADING,** and **THROUGH BILL OF LADING.**

BONDED WAREHOUSE
A warehouse authorized by **CUSTOMS** authorities for storage of goods on which payment of **DUTIES** is deferred until the goods are removed.

BOOKING
An arrangement with a steamship company for the acceptance and carriage of freight.

BUYING AGENT
See **PURCHASING AGENT.**

CARNET
A Customs document permitting the holder to carry or send merchandise temporarily into certain foreign countries (for display, demonstration, or similar purposes) without paying duties or posting bonds.

CAD (CASH AGAINST DOCUMENTS)
Payment for goods in which a commission house or other intermediary transfers title documents to the buyer upon payment in cash.

CIA (CASH IN ADVANCE)
Payment for goods in which the price is paid in full before shipment is made. This method is usually used only for small purchases or when the goods are built to order.

CWO (CASH WITH ORDER
Payment for goods in which the buyer pays when ordering and in which the transaction is binding on both parties.

CERTIFICATE OF INSPECTION
A document certifying that merchandise (such as perishable goods) was in good condition immediately prior to shipment.

CERTIFICATE OF MANUFACTURE
A statement (often notarized) in which a producer of good certifies that manufacturer has been completed and that the goods are now at the disposal of the buyer.

CERTIFICATE OF ORIGIN
A document, required by certain foreign countries for tariff purposes, certifying the country of origin of specified goods.

C&F (COST AND FREIGHT)
A pricing term indicating that the cost of the goods and freight charges are included in the quoted price; the buyer arranges for and pays insurance.

CHARTER PARTY
A written contract, usually on a special form, usually on a special form, between the owner of a vessel and a "charterer" who rents use of the vessel or a part of its freight space. The contract generally includes the freight rates and the ports involved in the transportation.

C&I (COST AND INSURANCE)
A pricing term indicating that the cost of the product and insurance are included in the quoted price. The buyer is responsible for freight to the named port of destination.

CIF (COST, INSURANCE, FREIGHT)
A pricing term indicating that the cost of the goods, insurance, and freight are included in the quoted price.

CLEAN BILL OF LADING
A receipt for goods issued by a carrier that indicates that the goods were received in "apparent good order and condition," without damages or other irregularities.

CLEAN DRAFT
A **DRAFT** to which no documents have been attached.

COLLECTION PAPERS
All documents (**COMMERCIAL INVOICES, BILLS OF LADING,** etc.) submitted to a buyer for the purpose of receiving payment for a shipment.

COMMERCIAL ATTACHE
The commerce experts on the diplomatic staff of his or her country's embassy or large consulate.

COMMERCIAL INVOICE
An itemized list of goods shipped, usually included among an exporter's **COLLECTION PAPERS.**

COMMISSION AGENT
See **PURCHASING AGENT.**

COMMON CARRIER
An individual partnership, or corporation that transports persons or goods for compensation.

CONFIRMED LETTER OF CREDIT
A letter of credit, issued by a foreign bank, with validity confirmed by a U.S. bank. An exporter who requires a confirmed letter of credit from the buyer is assured payment by the U.S. bank, even if the foreign buyer or bank defaults. See **LETTER OF CREDIT.**

CONSIGNMENT
Delivery of merchandise from an exporter (the cosignor) to an agent (the cosginee) under agreement that the agent sell the merchandise for the account of the exporter. The cosignor retains title to the goods until the consignee has sold them. The consignee sells the goods for commission and remits the net proceeds to the cosignor.

CONSULAR DECLARATION
A formal statement, made to the consul of a foreign country, describing goods to be shipped.

CONSULAR INVOICE
A document, required by some foreign countries, describing a shipment of goods and showing information such as the consignor, consignee, and value of the shipment. Certified by a consular official of the foreign country, it is used by the country's customs officers to verify the value, quantity, and nature of the shipment.

CONVERTIBLE CURRENCY
A currency that can be bought and sold for other currencies at will.

COUNTERTRADE
The sale of goods or services that are paid for in whole or in part by the transfer of goods and services from a foreign country. (See **BARTER.**)

CREDIT RISK INSURANCE
Insurance designed to cover risks of nonpayment for delivered goods. Compare **MARITIME INSURANCE.**

CUSTOMS
The authorities designated to collect duties levied by a country on imports and exports. The term also applies to the procedures involved in such collection

CUSTOMHOUSE
An individual or firm licensed to enter and clear goods through **CUSTOMS.**

DATE DRAFT
A draft that matures in a specified number of days after the date it is issued, without regard to the date of **ACCEPTANCE** (definition 2). See **DRAFT, SIGHT DRAFT, AND TIME DRAFT.**

DEFERRED PAYMENT CREDIT
Type of **LETTER OF CREDIT** providing for payment some time after presentation of shipping documents by exporter.

DEMAND DRAFT See **SIGHT DRAFT.**

DESTINATION CONTROL STATEMENT
Any of various statements that the U.S. Government requires to be displayed on export shipments and that specify the

destinations for which export of the shipment has been authorized.

DEVALUATION
The official lowering of the value of one county's currency in terms of one or more foreign currencies. (E.g., if the U.S. dollar is devalued in relation to the French franc, one dollar will "buy" fewer francs than before.

DISCREPANCY - LETTER OF CREDIT
When documents presented do not conform to the letter of credit, it is referred to as a "discrepancy."

DISPATCH
An amount paid by a vessel's operator to a charterer if loading or unloading is completed in less time than stipulated in the **CHARTER PARTY.**

DISTRIBUTOR
A foreign agent who sells for a supplier directly and maintains an inventory of the supplier's products.

DOCK RECEIPT
A receipt issued by an ocean carrier to acknowledge receipt of a shipment at the carrier's dock or warehouse facilities. See **WAREHOUSE RECEIPT.**

DOCUMENTARY DRAFT
A **DRAFT** to which documents are attached.

D/A (DOCUMENTS AGAINST ACCEPTANCE)
Instructions given by a shipper to a bank indicating that documents transferring title to goods should be delivered to the buyer (or **DRAWEE)** only upon the buyer's acceptance of the attached draft.

DRAFT (OR BILL OF EXCHANGE)
An unconditional order in writing from one person (the **DRAWER**) to another (the **DRAWEE**) directing the drawee to pay a specified amount to a named drawer at a fixed or determinable future date. See **DATE DRAFT, SIGHT DRAFT, TIME DRAFT.**

DRAWBACK
Articles manufactured or produced in the United States with the use of imported components or raw materials, and later exported, are entitled to a refund of up to 99 percent of the duty charged on the imported components. The refund of duty is known as a "drawback".

DRAWEE
The individual or firm on whom a draft is drawn, and who owes the stated amount. See **DRAWER, AND DRAFT.**

DRAWER
The individual or firm that issues or signs a draft and thus stands to receive payment of the stated amount from the drawee. See **DRAWEE** and **DRAFT.**

DUMPING
Exporting/importing merchandise into a country below the costs incurred in production and shipment.

DUTY
A tax imposed on imports by the customs authority of the country. Duties are generally based on the value

of the goods (ad valorem duties), some other factor such as weight or quantity (specific duties), or a combination of value and other factors (compound duties).

EURODOLLARS
U.S. dollars placed on deposit in banks outside the U.S.; usually refers to deposits in Europe. See **ASIAN DOLLARS.**

EX "FROM"
When used in pricing terms such as "Ex Factory" or "Ex Dock," it signifies that the price quoted applies only at the point of origin. In practice, this kind of quotation indicates that the seller agrees to place the goods at the disposal of the buyer at the specified place within a fixed period of time.

EXCHANGE PERMIT
A government permit sometimes required by the importer's government to enable the importer to convert his or her own country's currency into foreign currency with which to pay a seller in another country.

EXCHANGE RATE The price of one currency in terms of another, i.e., the number of units of one currency that may be exchanged for one unit of another currency.

EXIMBANK
The Export-Import Bank of the United States.

EXPORT BROKER
An individual or firm that brings buyers and sellers together for a fee, but does not take part in actual sales transactions.

EXPORT COMMISSION HOUSE
An organization which, for a commission, acts as a purchasing agent for a foreign buyer.

EXPORT DECLARATION
See **SHIPPER'S EXPORT DECLARATION.**

EXPORT LICENSE
A government document that permits the "licensee" to engage in the export of designated goods to certain destinations. See **GENERAL** and **VALIDATED LICENSES.**

EXPORT MANAGEMENT COMPANY
A private firm that serves as the export department for several manufacturers, soliciting and transacting export business on behalf of its clients in return for a commission, salary, or retainer plus commission.

EXPORT TRADING COMPANY
A firm similar to an export management company.

FAS (FREE ALONGSIDE)
A pricing term indicating that the quoted price includes the cost of delivering the goods alongside the designated vessel.

FI (FREE IN)
A pricing term indicating that the charterer of a vessel is responsible for the cost of loading and unloading goods and from the vessel.

FLOATING POLICY
See **OPEN POLICY.**

FO (FREE OUT)
A pricing term indicating that the charterer of a vessel is responsible for the cost of loading goods from the vessel.

FORCE MAJEURE
The title of a standard clause in marine contracts exempting the parties for nonfulfillment of their obligations as a result of conditions beyond their control, such as earthquakes, floods, or war.

FOREIGN EXCHANGE
The currency or credit instruments of a foreign country. Also, transactions involving purchase and or sale of currencies.

FOREIGN FREIGHT FORWARDER
SEE **FREIGHT FORWARDER.**

FOREIGN SALES AGENT
An individual or firm that serves as the foreign representative of a domestic supplier and seeks sales abroad for the supplier.

FSC (FOREIGN SALES CORPORATION -- "FISK")
An organization formed by American manufacturers or export groups to obtain U.S. tax incentives for export sales. "Fisks" are a valuable tool for increasing export profits.

FOREIGN TRADE ZONE
See **FREE TRADE ZONE.**

FOUL BILL OF LADING
A receipt for goods issued by a carrier with an indication that the goods were damaged when received. See **CLEAN BILL OF LADING.**

FREE PORT
An area such as port city, into which merchandise may legally be moved without payment of duties.

FREE TRADE ZONE
A port designated by the government of a country for duty-free entry of any non-prohibited goods. Merchandise may be stored, displayed, used for manufacturing, etc., within the zone and reexported without duties being paid. Duties are imposed on the merchandise (or items manufactured from the items) only when the goods pass from the zone into an area of the country subject to Customs Authority.

FREIGHT FORWARDER
An independent business which handles export shipments for compensation. a freight forwarder is among the best sources of information and assistance on U.S. export regulations and documentation, shipping methods, and foreign import regulations.

GATT (GENERAL AGREEMENT ON TARIFFS AND TRADE)
A multilateral treaty intended to help reduce trade barriers between the signatory countries, and to promote trade through tariff concession.

GENERAL EXPORT LICENSE
Any of a various export licenses covering export commodities for which

VALIDATED EXPORT LICENSES are not required. No formal application or written authorization is needed to ship exports under a general export license.

GROSS WEIGHT
The full weight of a shipment, including goods and packaging. See **TARE WEIGHT.**

IMPORT LICENSE
A document required and issued by some national governments authorizing the importation of goods into their individual countries.

INLAND BILL OF LADING
A bill of lading used in transporting goods overland to the exporter's international carrier. Although a **THROUGH BILL OF LADING** can sometimes be used, it is usually necessary to prepare both an **INLAND BILL OF LADING**, an **OCEAN BILL OF LADING**, and **THROUGH BILL OF LADING.**

INTERNATIONAL FREIGHT FORWARDER
See **FREIGHT FORWARDER.**

IRREVOCABLE LETTER OF CREDIT
A letter of credit in which the specified payment is guaranteed by the bank if all terms and conditions are met by the drawee.

LICENSING
A business agreement in which the manufacturer of a product (or a firm with proprietary, trademarks, etc.) grants permission to some other group or individual to manufacture that product (or to make use of that proprietary material) in return for specified royalties or other payment.

MANIFEST
See **SHIP'S MANIFEST.**

MARINE INSURANCE
Insurance that compensates the owners of goods transported overseas in the event of loss that cannot be legally recovered from the carrier. Also covers air shipments. Compare **CREDIT RISK INSURANCE.**

MARKING (OR MARKS)
Letters, number or symbols placed on cargo packages to facilitate identification.

OCEAN BILL OF LADING
Indicates that the exporter consigns a shipment to an international carrier for transportation to a specified foreign market. Unlike an **INLAND BILL OF LADING**, the **Ocean BILL OF LADING** also serves as a collection document. If it is a "straight" bill of lading, the foreign buyer can obtain the shipment from the carrier by simply showing the proper proof of identity. If a "negotiable" **BILL OF LADING** is used, the buyer must first pay for the goods, post a bond, or meet other conditions agreeable to the seller. Compare **AIR WAYBILL, INLAND BILL OF LADING, and THROUGH BILL OF LADING.**

ON BOARD BILL OF LADING
A bill of lading in which a carrier certifies that goods have been placed aboard a certain vessel.

OPEN ACCOUNT
A trade arrangement in which goods are shipped to a foreign buyer without guarantee of payment. The obvious risk this method poses to the supplier makes it essential that the buyer's integrity be unquestionable.

OPEN INSURANCE POLICY
A marine insurance policy that applies to all shipments made by an exporter over a period of time rather than to one shipment only.

"ORDER" BILL OF LADING
A negotiable bill of lading made out to the order of the shipper.

PACKING LIST
A list showing the number and kinds of items being shipped, as well as other information for transportation purposes.

PARCEL POST RECEIPT
The postal authorities' signed acknowledgement of delivery to receive of a shipment made by parcel post.

PEFCO (PRIVATE EXPORT FUNDING CORPORATION)
Lends to foreign buyers to finance exports from U.S.

PERILS OF THE SEA
A marine insurance term used to designate heavy weather, stranding, lightening, collision, and sea water damage.

PHYTOSANITARY INSPECTION CERTIFICATE
A certificate, issued by the U.S. Department of Agriculture, to satisfy import regulations for foreign countries, indicating that a U.S. shipment has been inspected and is free from harmful pests and plant diseases.

POLITICAL RISK
In export financing, the risk of loss due to such causes as currency inconvertibility, governmental action preventing the entry of goods, expropriation or confiscation, war, etc.

PRO FORMA INVOICE
An invoice provided by a supplier prior to the shipment of merchandise, informing the buyer of the kinds and quantities of goods to be sent, their value, and important specifications (weight, size, etc.)

PURCHASING AGENT
An agent who purchases goods in his or her own country on behalf of foreign importers such as government agencies and large private concerns.

QUOTA
The quantity of goods of a specific kind that a country permits to be imported without restriction or imposition of additional **DUTIES.**

QUOTATION
An offer to sell goods at a stated price and under specified conditions.

REMITTING BANK
Bank that sends the **DRAFT** to overseas bank for collection.

REPRESENTATIVE
See **FOREIGN AGENT.**

REVOCABLE LETTER OF CREDIT
A letter of credit that can be cancelled or altered by the **DRAWEE** (buyer) after it has been issued by the drawee's bank.

SCHEDULE B
Refers to "Schedule B, Statistical Classification of Domestic and Foreign Commodities Exported for the United States." All commodities exported from the United States must be assigned a seven-digit Schedule B number.

SHIPPER'S EXPORT DECLARATION
A form required by the U.S. Treasury Department for all shipments and prepared by a shipper, indicating the value, weight, destination, and other basic information about an export shipment.

SHIP'S MANIFEST
An instrument in writing, signed by the captain of a ship, that lists the individual shipments constituting the ship's cargo.

SIGHT DRAFT
A draft that is payable upon presentation to the drawee.

SPOT EXCHANGE
The purchase or sale of foreign exchange for immediate delivery.

SIC (STANDARD INDUSTRIAL CLASSIFICATION)
A standard industrial numerical code system developed by the U.S. Government to classify products and services.

SITC (STANDARD INTERNATIONAL TRADE CLASSIFICATION)
A standard numerical code system developed by the United Nations to classify commodities used in international trade.

STEAMSHIP CONFERENCE
A group of steamship operators that operate under mutually agreed upon freight rates.

STRAIGHT BILL OF LADING
A non-negotiable **BILL OF LADING** in which the goods are consigned directly to a named consignee.

TARE WEIGHT
The weight of a container and packing materials without the weight of the goods it contains. See **GROSS WEIGHT.**

TENOR (OR A DRAFT)
Designation of a payment as being due at sight, a given number of days after sight, or a given number of days after date.

THROUGH BILL OF LADING
A single **BILL OF LADING** covering both the domestic and international carriage of an export shipment. An **AIR WAY BILL** for instance, is essentially a through bill of lading used for air shipments. Ocean shipments, on

the other hand, usually require two separate documents--an **INLAND BILL OF LADING** for domestic carriage and an **OCEAN BILL OF LADING** for international carriage. Through **BILLS OF LADING** are sufficient for ocean shipments. See **AIR WAYBILL, INLAND BILL of LADING, and OCEAN BILL OF LADING.**

TIME DRAFT
A draft that matures either a certain number of days after acceptance or a certain number of days after the date of the draft.

TRAMP STEAMER
A ship not operating on regular routes or schedules.

TRANSACTION STATEMENT
A document that delineates the terms and conditions agreed upon between the importer and exporter.

TRUST RECEIPT
Release of merchandise by a bank to a buyer in which the bank retains title to the merchandise. the buyer, who obtains the goods for manufacturing or sales purposes, is obligated to maintain the goods (or the proceeds from their sale) distinct from the remainder of his other assets and to hold them ready for repossession by the bank.

VALIDATED EXPORT LICENSE
A required document issued by the U.S. Government authorizing the export of specific commodities. This license is for a specific transaction or time period in which the exporting is to take place. See **GENERAL EXPORT LICENSE.**

WAREHOUSE RECEIPT
A receipt is issued by a warehouse listing goods received for storage.

WHARFAGE
A charge assessed by a pier or dock owner for handling incoming or outgoing cargo.

WITHOUT RESERVE
A term indicating that a shipper's agent or representative is empowered to make definitive decisions and adjustments abroad without approval of the group or individual represented.

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